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EXTENDED FAMILY SERVICES, INC.
(formerly JACK AND JILL NURSERY)
MISSOULA, MONTANA

CHILD CARE FOOD PROGRAM
REPORT ON AUDIT

FOR THE PERIOD
OCTOBER 1, 1984 - SEPTEMBER 30, 1986

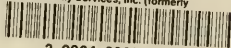


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Extended Family Services, Inc. (formerly



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CHILD CARE FOOD PROGRAM
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STATE OF MONTANA
Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
406/444-3122



SCOTT A. SEACAT
LEGISLATIVE AUDITOR

December 1986

DEPUTY LEGISLATIVE AUDITORS:

JAMES GILLET
FINANCIAL COMPLIANCE AUDITS

JIM PELLEGRINI
PERFORMANCE AUDITS

LEGAL COUNSEL:

JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Extended Family Services
for the period October 1, 1984 - September 30, 1986.

The audit was conducted by John Monaghan, CPA, under a contract
between the firm and our office. The comments and recommendations
contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Gillett for", written over the printed name of the Legislative Auditor.

Scott A. Seocat
Legislative Auditor

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EXTENDED FAMILY SERVICES, INC.

BOARD MEMBERS

Janice Watson, President

Gary Joseph, Vice - President

Monie Joseph, Secretary / Treasurer

Kathy Olgren, Member - at - large

Father George Dumais, Member - at - large

Bonnie Berry, Member - at - large

John Orr, Member - at - large

INTRODUCTION

Background

Extended Family Services, Inc. (EFS) - formerly Jack and Jill Nursery- is a non-profit, independent institution which participates in the Child Care Food Program. EFS also operates a receiving home for foster children and abused children. The center has a licensed capacity of 79; the capacity is expanded to 100 in the summer months due to the center's sponsorship of two summer programs. EFS serves meals at an approximate annual cost of \$ 28,000.

I would like to thank the staff of Extended Family Services, Inc. for their cooperation and assistance during the audit.

Purpose of Engagement

I conducted a financial/compliance audit of Extended Family Services, Inc. (EFS) for the Child Nutrition Program of the Department of Health and Environmental Sciences in accordance with my contract with the State and the Agency. The audit was performed to express an opinion on the Statement of Revenues of EFS, and also to determine the center's compliance with federal regulations and state guidelines in administering the Child Care Food Program.

Scope of Engagement

The scope of the engagement included an examination of the Statement of Revenues as well as tests of compliance with regulations and guidelines for the period of October 1, 1984 through September 30, 1986.

STATE COMPLIANCE

I reviewed compliance with state laws and regulations that could have a material impact on the financial schedules of the Extended Family Services, Inc. In my opinion the organization complied with state laws and regulations tested. Nothing came to my attention that causes me to believe untested compliance issues are not in accordance with applicable laws and regulations.

FEDERAL COMPLIANCE

My audit of federal moneys was performed in accordance with the requirements in the U.S. Office of Management and Budget, Circular A-128 and A -110. This circular provides for independent audits of financial operations, including compliance with certain federal laws and regulations. Based on my examination the organization complied with the material terms and conditions of the federal grant regulations. Nothing came to my attention indicating noncompliance in items not tested.

INTERNAL CONTROL

I have examined the statement of revenues of the Extended Family Services, Inc. for the period ended September 30, 1986. I issued my opinion dated November 19, 1986, on this statement. As part of my examination, I made a study and evaluation of the system of control of the Extended Family Services, Inc. My study evaluated the system as required by generally accepted auditing standards and Standards for Audit of Governmental Organizations, Programs, Activities and Functions. I classified the controls in the following categories:

1. revenue, cash receipts;

I evaluated the significant controls identified in the revenue category. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statement. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Extended Family Services, Inc. is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial schedules in accordance with state accounting policies. Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Extended Family Services, Inc. taken as a whole or on any of the categories of control identified in the first paragraph.

The preceding four paragraphs are intended solely for the use of management and the Legislature and should not be used for any other purpose. This restriction as to use is not intended to limit the distribution of this document which, upon acceptance by the Legislative Audit Committee, is a matter of public record.

PRIOR AUDIT RECOMMENDATIONS

The last audit of organization was performed by Bauer and Kester, CPA's. That audit for the period ended September 30, 1984, contained three recommendations which are still applicable to EFS. The organization concurred with all recommendations. Of the three recommendations, the organization implemented all three.

SUMMARY OF RECOMMENDATIONS

NONE. In my professional opinion there was no need for any recommendations and therefore, there are none.

JOHN S. MONAGHAN
CERTIFIED PUBLIC ACCOUNTANT

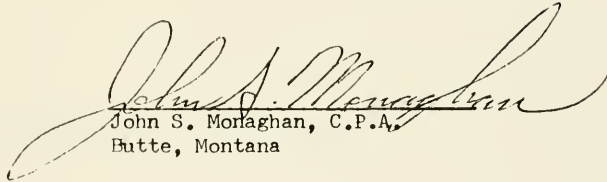
Phone 1406/782-9276
2218 Elm Street
Butte, Montana 59701

November 19, 1986

To the Members of the Board
Extended Family Services
Missoula, Montana

I have examined the statement of revenues of Extended Family Services for the period October 1, 1984 to September 30, 1986. My examination was made in accordance with generally accepted auditing standards, and Standards for Audit of Governmental Organizations, Programs, Activities and Functions issued by the Comptroller General of the United States. Accordingly, my examination included such tests of the accounting procedures as I considered necessary in the circumstances.

In my opinion the statement of revenues present fairly the revenues of Extended Family Services for the period October 1, 1984 to September 30, 1986 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.



John S. Monaghan, C.P.A.
Butte, Montana

EXTENDED FAMILY SERVICES, INC.
CHILD CARE FOOD PROGRAM
AUDITED STATEMENT OF REVENUES
For The Period October 1, 1984 - September 30, 1986

	<u>Food Services</u>	<u>Cash in-Lieu</u>	<u>Total</u>
Program Funds Received	\$ 51,459.90	\$ 3,524.29	\$ 54,984.19
Reimbursement Per Audit	\$ 51,459.90	\$ 3,524.29	\$ 54,984.19

The accompanying notes are an integral part of this statement.

EXTENDED FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENT
For The Period October 1, 1984 - September 30, 1986

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Financial Statement

Extended Family Services, Inc. is a not-for-profit organization subject to compliance with federal regulations. Administering state agencies are to audit institutions at least every two years, noting the center's compliance with regulations. The state agency requires only the statement of revenues be audited and an opinion expressed thereon.

2) Accrual Basis of Accounting

The accompanying statement of revenues has been prepared on the accrual basis in accordance with generally accepted accounting principles for not-for-profit organizations. It is a statement of financial activities related to the period of review and does not represent the results of operations or report net income or loss for the period.

